

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

RICHLAND TOWNSHIP

Ogemaw County, Michigan

FINANCIAL STATEMENTS

March 31, 2006

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**BERTHIAUME
& COMPANY**

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Township Board
Richland Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Richland Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Richland Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Richland Township, Michigan, as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Richland Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Berthiaume & Co.

August 1, 2006

BASIC FINANCIAL STATEMENTS

RICHLAND TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2006

Assets:

Cash and cash equivalents	\$ 236,525
Taxes receivable	10,009
Special assessments receivable	1,731
Due from other governmental units	10,367
Capital assets:	
Nondepreciable capital assets	80,000
Depreciable capital assets, net	<u>322,029</u>
Total assets	<u>660,661</u>

Liabilities:

Accounts payable	3,015
Accrued expenses	5,442
Long-term liabilities	
Due within one year	11,667
Due in more than one year	<u>140,000</u>
Total liabilities	<u>160,124</u>

Net assets:

Invested in capital assets	250,362
Unrestricted	<u>250,175</u>
Total net assets	<u><u>\$ 500,537</u></u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

		<i>Program Revenues</i>			<i>Net (Expense) Revenue</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
Functions/Programs	<i>Expenses</i>				
General government	\$ 67,701	\$ 16,760	\$ 4,155	\$ 4,900	\$ (41,886)
Public works	42,442	2,636	2,293	-	(37,513)
Community and economic development	695	-	-	-	(695)
Recreation and culture	33,039	32,732	-	-	(307)
Other	6,224	-	-	-	(6,224)
Total governmental activities	150,101	52,128	6,448	4,900	(86,625)

General revenues:

Taxes	
Property taxes, levied for general purpose	22,443
Property taxes, levied for road improvements	51,934
Grants and contributions not restricted to specific programs	45,795
Unrestricted investment earnings	3,257
Total general revenues	123,429
Change in net assets	36,804
Net assets, beginning of year	463,733
Net assets, end of year	\$ 500,537

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

GOVERNMENTAL FUND

BALANCE SHEET

March 31, 2006

	<i>General Fund</i>
Assets:	
Cash and cash equivalents	\$ 236,525
Taxes receivable	10,009
Special assessments receivable	1,731
Due from other governmental units	<u>10,367</u>
 Total assets	 \$ <u>258,632</u>
 Liabilities and Fund Balance:	
Liabilities:	
Accounts payable	\$ 3,015
Accrued expenses	<u>2,093</u>
 Total liabilities	 <u>5,108</u>
 Fund Balance:	
Unreserved	
Designated	170,497
Undesignated	<u>83,027</u>
 Total fund balance	 <u>253,524</u>
 Total liabilities and fund balance	 \$ <u>258,632</u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

RECONCILIATION OF FUND BALANCE OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2006

Total fund balance for governmental funds \$ 253,524

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	442,830	
Less accumulated depreciation	<u>(40,801)</u>	402,029

Interest payable in the governmental activities are not payable from
current resources and therefore are not reported in the governmental
funds. (3,349)

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds.

Installment purchase contracts	<u>(151,667)</u>	
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Net assets of governmental activities \$ 500,537

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	<i>General Fund</i>
Revenues:	
Property taxes	\$ 82,653
License and permits	6
State grants	55,933
Charges for services	24,233
Interest and rents	3,582
Other revenue	<u>20,498</u>
 Total revenues	 <u>186,905</u>
Expenditures:	
Current	
General government	58,060
Public works	42,442
Community and economic development	695
Recreation and culture	31,672
Other	2,223
Capital outlay	11,519
Debt service	
Principal	11,667
Interest	<u>6,482</u>
 Total expenditures	 <u>164,760</u>
 Net change in fund balance	 22,145
 Fund balance, beginning of year	 <u>231,379</u>
 Fund balance, end of year	 <u><u>\$ 253,524</u></u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Net change in fund balance - total governmental funds	\$ 22,145
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	11,519	
Less depreciation expense	<u>(8,785)</u>	2,734

Repayments of principal on bonds and contracts are an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	11,667
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest on bonds and contracts payable	<u>258</u>
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Change in net assets of governmental activities	<u>\$ 36,804</u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Richland Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

Joint Venture:

The Township participates as a member of the Richland-Logan Fire Authority.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities. There are no business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in two parts (1) invested in capital assets and (2) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Furniture and equipment	5-10 years

Compensated Absences – The Township does not allow the carryover of unused sick or vacation days. Therefore, no liability has been recorded in the government-wide financial statements.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Properties are assessed as of December 31 and the related property taxes are attached as an enforceable lien on December 1 of the following year. These taxes are due on or before February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 taxable valuation of the Township totaled \$27,424,981 on which ad valorem taxes levied consisted of .8178 mills for the Township’s operating purposes and 1.8936 mills for voted road improvements.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were materially in excess of the amounts budgeted.

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the Township had \$237,809 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$100,598 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. At year end, the Township had no investments.

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

NOTE 4: CAPITAL ASSETS

Governmental activities capital asset activity for the year ended March 31, 2006 was as follows:

Governmental activities:

Nondepreciable capital assets:

Land	\$ 80,000	\$ -	\$ -	\$ 80,000
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Depreciable capital assets:

Land improvements	4,872	-	-	4,872
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Buildings and improvements	316,523	-	-	316,523
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Furniture and equipment	<u>30,558</u>	<u>11,519</u>	<u>(642)</u>	<u>41,435</u>
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Total depreciable capital assets	351,953	11,519	(642)	362,830
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Accumulated depreciation	<u>(32,658)</u>	<u>(8,785)</u>	<u>642</u>	<u>(40,801)</u>
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Depreciable capital assets, net	<u>319,295</u>	<u>2,734</u>	<u>-</u>	<u>322,029</u>
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Governmental activities, capital assets, net	<u>\$ 399,295</u>	<u>\$ 2,734</u>	<u>\$ -</u>	<u>\$ 402,029</u>
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Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 7,418
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Public safety	<u>1,367</u>
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Total governmental activities	<u>\$ 8,785</u>
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NOTE 5: DESIGNATED FUND BALANCE

The fund balance of the general fund is designated for the following items:

Roads	\$ 115,909
Hardwood Lake improvements	53,143
Dust Control	635
Gypsy Moth control	<u>810</u>
	<u>\$ 170,497</u>

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

NOTE 6: LONG-TERM LIABILITIES

The Township has an installment purchase contract payable that was used to finance the construction of the Township hall. Installment contracts are general obligations, which are direct obligations of the government and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2006 consisted of the following:

<u><i>Types of Indebtedness</i></u>	<u><i>Maturity</i></u>	<u><i>Interest Rate</i></u>	<u><i>Principal Installments</i></u>	<u><i>Loan Amount</i></u>	<u><i>Outstanding at Year-End</i></u>
<u>Governmental Activities</u>					
<i>Installment Purchase Contracts Payable:</i>					
2003 Contract - Township Hall	9/10/06-9/10/18	3.99%	11,667	175,000	151,667

The following is a summary of long-term liabilities transactions for the year ended March 31, 2006:

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Ending Balance</i></u>	<u><i>Due Within One Year</i></u>
Governmental activities:					
<i>Installment Purchase Contracts Payable:</i>					
2003 Contract - Township Hall	<u>\$ 163,334</u>	<u>\$ -</u>	<u>\$ (11,667)</u>	<u>\$ 151,667</u>	<u>\$ 11,667</u>

Annual debt service requirements to maturity for the above contractual obligations are as follows:

<u><i>Year Ended</i></u>	<u><i>Governmental Activities</i></u>		
<u><i>March 31,</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total</i></u>
2007	\$ 11,667	\$ 6,051	\$ 17,718
2008	11,666	5,586	17,252
2009	11,667	5,134	16,801
2010	11,667	4,655	16,322
2011	11,666	4,190	15,856
2012-2016	58,334	13,974	72,308
2017-2019	<u>35,000</u>	<u>2,797</u>	<u>37,797</u>
	<u>\$ 151,667</u>	<u>\$ 42,387</u>	<u>\$ 194,054</u>

RICHLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

NOTE 7: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 8: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Pension Plan:

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes a percentage of each covered employee's wages to the plan. Pension expense for the fiscal year ended March 31, 2006 was \$1,420.

Post Employment Benefits:

The Township provides no post employment benefits to its retirees.

Deferred Compensation Plan:

The Township has no deferred compensation plan.

REQUIRED SUPPLEMENTAL INFORMATION

RICHLAND TOWNSHIP

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Property taxes	\$ 84,001	\$ 84,001	\$ 82,653	\$ (1,348)
Licenses and permits	-	-	6	6
State grants	47,700	52,600	55,933	3,333
Charges for services	32,000	32,000	24,233	(7,767)
Interest and rents	4,067	4,067	3,582	(485)
Other revenue	<u>23,500</u>	<u>23,500</u>	<u>20,498</u>	<u>(3,002)</u>
Total revenues	<u>191,268</u>	<u>196,168</u>	<u>186,905</u>	<u>(9,263)</u>
Expenditures:				
Current				
General government	78,250	78,250	58,060	(20,190)
Public works	56,150	56,150	42,442	(13,708)
Community and economic development	1,000	1,000	695	(305)
Recreation and culture	56,750	56,750	31,672	(25,078)
Other	5,500	5,500	2,223	(3,277)
Capital outlay	4,000	8,900	11,519	2,619
Debt Service				
Principal	12,000	12,000	11,667	(333)
Interest	<u>6,500</u>	<u>6,500</u>	<u>6,482</u>	<u>(18)</u>
Total expenditures	<u>220,150</u>	<u>225,050</u>	<u>164,760</u>	<u>(60,290)</u>
Net change in fund balance	(28,882)	(28,882)	22,145	51,027
Fund balance, beginning of year	<u>231,379</u>	<u>231,379</u>	<u>231,379</u>	<u>-</u>
Fund balance, end of year	<u>\$ 202,497</u>	<u>\$ 202,497</u>	<u>\$ 253,524</u>	<u>\$ 51,027</u>

OTHER SUPPLEMENTAL INFORMATION

RICHLAND TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2006

Current taxes:

Property taxes	\$ 74,356
Penalties and interest	21
Administration fees	<u>8,276</u>
	<u>82,653</u>

Licenses and permits:

Nonbusiness licenses and permits	<u>6</u>
	<u>6</u>

State grants:

Summer tax collection reimbursement	2,945
State revenue sharing - sales tax	45,795
State contribution - election equipment	4,900
Metro authority right-of-way	<u>2,293</u>
	<u>55,933</u>

Charges for services:

Refuse collection fees	1,791
Campground fees	14,632
Cemetery fees	3,650
Copies	2
Other	<u>4,158</u>
	<u>24,233</u>

Interest and rents:

Interest	3,257
Rents	<u>325</u>
	<u>3,582</u>

Other revenue:

Special assessments	18,945
Contributions and donations	1,210
Refunds and rebates	183
Other	<u>160</u>
	<u>20,498</u>

Total revenues	<u><u>\$ 186,905</u></u>
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RICHLAND TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2006

General Government:

Board:

Personnel	\$ 3,028
Supplies	332
Contracted services	500
Telephone	357
Travel	352
Dues and memberships	551
Conferences and workshops	255
Printing and publications	282
Insurance	899
Other	1,727
	<u>8,283</u>

Supervisor:

Personnel	4,610
Travel	210
Dues and memberships	20
Conferences and workshops	65
	<u>4,905</u>

Clerk:

Personnel	5,418
Supplies	324
Travel	50
	<u>5,792</u>

Board of Review:

Personnel	570
Contracted services	72
Printing and publications	78
Other	384
	<u>1,104</u>

Treasurer:

Personnel	5,690
Supplies	1,658
Contractred services	4,448
Conferences and workshops	140
Other	13
	<u>11,949</u>

Assessor:

Supplies	13
Contracted services	9,272
	<u>9,285</u>

RICHLAND TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

General Government, continued:

Elections:

Contracted Services	\$ 543
Travel	10
Other	18
	<u>571</u>

Buildings and Grounds:

Personnel	350
Supplies	516
Contracted services	2,020
Telephone	304
Insurance	785
Utilities	3,788
Repairs and maintenance	375
	<u>8,138</u>

Cemetery:

Supplies	589
Contracted services	6,449
Insurance	995
	<u>8,033</u>

Total general government	<u>58,060</u>
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Public Works:

Roads:

Contracted services	<u>31,843</u>
	<u>31,843</u>

Street Lighting:

Contracted services	<u>1,233</u>
	<u>1,233</u>

Refuse:

Personnel	1,323
Contracted services	1,724
Insurance	515
Other	68
	<u>3,630</u>

RICHLAND TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

Public works, continued:

Dust control:

Contracted services	5,736
	<u>5,736</u>

Total public works	<u>42,442</u>
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Community and Economic Development:

Planning and Zoning:

Contracted services	475
Mileage	<u>220</u>
	<u>695</u>

Total community and economic development	<u>695</u>
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Recreation and Culture:

Campground and Lake:

Personnel	5,117
Supplies	2,759
Contracted services	8,218
Telephone	712
Travel	99
Printing and publications	123
Insurance	8,342
Utilities	1,484
Repairs and maintenance	20
Other	<u>746</u>
	<u>27,620</u>

Library:

Personnel	440
Telephone	1,208
Insurance	1,057
Utilities	457
Repairs and maintenance	<u>890</u>
	<u>4,052</u>

Total recreation and culture	<u>31,672</u>
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RICHLAND TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

Other:

Retirement	1,420
Payroll taxes	<u>803</u>
	<u>2,223</u>

Total other	<u>2,223</u>
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Capital Outlay:

General government	9,357
Recreation and culture	<u>2,162</u>
	<u>11,519</u>

Total capital outlay	<u>11,519</u>
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Debt Service:

Principal	11,667
Interest	<u>6,482</u>
	<u>18,149</u>

Total debt service	<u>18,149</u>
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Total expenditures	<u>\$ 164,760</u>
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RICHLAND TOWNSHIP

FIDUCIARY FUND
**STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES**
March 31, 2006

	<i>April 1, <u>2005</u></i>	<i><u>Additions</u></i>	<i><u>Reductions</u></i>	<i>March 31, <u>2006</u></i>
<u>Current Tax Collection Fund:</u>				
Assets:				
Cash and cash equivalents	\$ <u>4</u>	\$ <u>762,501</u>	\$ <u>762,505</u>	\$ <u>-</u>
Liabilities:				
Undistributed tax collection	\$ <u>4</u>	\$ <u>762,501</u>	\$ <u>762,505</u>	\$ <u>-</u>

RICHLAND TOWNSHIP

SCHEDULE OF INDEBTEDNESS

March 31, 2006

INSTALLMENT PURCHASE CONTRACT

Original contract amount	\$	175,000
Less:		
Principal paid in prior years		(11,666)
Principal paid in current year		<u>(11,667)</u>
Balance payable at March 31, 2006	\$	<u>151,667</u>

Balance payable as follows:

<i>Fiscal Year</i>				<i>Total</i>
Ended	Interest	<i>Principal</i>	<i>Interest</i>	<i>Annual</i>
<u>March 31.</u>	<u>Rate</u>	<u>Due</u>	<u>Due</u>	<u>Requirement</u>
2007	3.99%	11,667	6,051	17,718
2008		11,666	5,586	17,252
2009		11,667	5,134	16,801
2010		11,667	4,655	16,322
2011		11,666	4,190	15,856
2012		11,667	3,724	15,391
2013		11,667	3,267	14,934
2014		11,666	2,794	14,460
2015		11,667	2,327	13,994
2016		11,667	1,862	13,529
2017		11,666	1,400	13,066
2018		11,667	931	12,598
2019		<u>11,667</u>	<u>466</u>	<u>12,133</u>
		\$ 151,667	\$ 42,387	\$ 194,054



August 1, 2006

To The Township Board
Richland Township

We have audited the financial statements of Richland Township for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of Richland Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Richland Township are described in Note 1 to the financial statements. We noted no transactions entered into by Richland Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated August 1, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants